

Review and Commentary
of

"THE CHALLENGE OF ABUNDANCE"

(The Report of the Special Committee on
Farm Income in Ontario, January, 1969)



Economic Planning Branch
Policy Planning Division
Department of Treasury and Economics

August, 1969

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SUMMARY

In January 1969, the Special Committee On Farm Income presented the results of two years of research toward the solution to low farm incomes in the province. The Committee's report, entitled "CHALLENGE OF ABUNDANCE", is reviewed in Section I of this paper. The Committee's recommendations are considered in Section II in regard to possible implementation by the Government.

The Special Committee found that low incomes were a current and growing problem for a large majority of Ontario's farm operators. The Committee's report identifies and analyses various aspects of the farm income problem: subsistence or poverty level farming, the situation of low returns to labour and capital employed in many agricultural operations and the uncertainty of adequate returns from year to year in all agricultural operations. The Committee has recognized that these different aspects of the problem must each be treated in order to improve farm incomes in Ontario.

The causes of low income are related by the Committee to the individual farmer and his resources and managerial abilities, the aggregative effects of the production decisions of each farmer, the various marketing arrangements in the agricultural industry, the factors influencing a farm operator's production costs, government policies influencing agriculture, and the fundamental social and economic changes now occurring in rural Ontario.

The Committee's report contains a large number of recommendations for treating the adverse economic and social conditions facing farmers.



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Some of the suggested treatments require action by the farmers themselves - as in the establishment of one province-wide farm organization, the General Farm Organization.⁽¹⁾ Other recommendations by the Committee fall in the jurisdiction of the federal and provincial governments - as in the fields of tariffs on agricultural produce, capital gains tax, a negative income tax, the ARDA, manpower, farm credit and regional development programs, a single central marketing agency (the Food Supply Agency) and such proposals as an Ontario Land Resources Commission and a Rural Human Resources Council.

A number of the recommendations can be supported by the Government; i.e. expanded and improved technical and managerial assistance programs for farmers, an upgraded rural educational system, a single, national farm credit agency and the reduction of a variety of subsidy programs. Alternatively, some recommendations require further research into their probable effects and a search for possible alternative solutions, i.e. the proposals for supply management and production quotas, for an Ontario Farm Machinery Crown Corporation, a Fertilizer Review Board and a Farm-Land Rental Act. The position that the optimum size of operations for Ontario is represented by the one, two or three-man farm and the Committee's thesis that further vertical integration into farming by agri-business is undesirable are suppositions requiring substantiation.

In conclusion, the Committee's single objective has been to identify and attempt to develop effective solutions to the economic problems of Ontario's farm operators. However, the implications of many of the Committee's

(1) In June of this year, a majority of Ontario farmers voted against the formation of a General Farm Organization.

recommendations go beyond the limits of the agricultural community. The integration of the proposed agricultural policies into the larger framework of Ontario's comprehensive economic and social policies, including our regional development program, must be the first objective of the Government. In addition, the fact that many of the current problems in agriculture are interprovincial and international in dimensions creates a major obstacle to the effectiveness of some of the proposals which are put forward in the "CHALLENGE OF ABUNDANCE".

The Report of the Special Committee on Farm Income was reviewed by the Economic Planning Branch of the Department of Treasury and Economics. The Commentary on Major Recommendations (Section II) was prepared in co-operation with the Regional Development Branch.

Review and Commentary

of

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SECTION I

Review of the Report

REVIEW OF "THE CHALLENGE OF ABUNDANCE"

(The Report of the Special Committee on Farm Income in Ontario, January 1969)

The Report contains four major sections sub-divided into chapters plus some 35 pages of recommendations provided with commentary.

Part I: Agriculture and Farmers

This section reviews briefly the factors that are basic to farm income problems - the effects of industrialization, the role and mobility of the factors of production in agriculture, farm productivity, price trends and technological change.

The Committee found that only a small group of farmers does not have serious income difficulties. In order to determine how much income a farmer should at least receive, the Committee has adopted two methods. One is the "return to resources" approach under which the minimum acceptable income is based on the returns that labour and capital earn in other industries with similar skill requirements and similar risk. The conclusion is that the average farmer in Ontario is not earning an adequate income; the remuneration for the farmer's labour was found to be less than \$1 per hour and rates of return on farm capital below three per cent, before income tax. The second method applied was the "income deficiency" approach which establishes a minimum on the basis of some necessary level of income needed to obtain basic clothing, food, medical treatment and shelter. Thus it was found that slightly more than one-half of the farm families in Ontario receive incomes adequate to meet their basic requirements and that only one-third has any significant portion of their income available to meet luxury needs.

The Committee is of the opinion that much of the responsibility for low resource returns and low incomes in farming belongs to farmers themselves, as they have not taken adequate responsibility for collectively planning their total production. It is suggested that the planning and control of production by farm organizations has the potential to improve the income position of many farmers.

The Report states that there are too many people farming and that there is a need for a reduction in the rate at which young people take up farming as a career. On the other hand, the study points out that there are very few cost advantages to be found in very large-scale farms.

In a section dealing with the effects of industrialization it is indicated that the chronic income problems occur in agricultural areas far removed from urban-industrial activity. The Committee decides that industrialization is not necessarily detrimental to farming and that a realistic planning program could make sufficient quantities of land available for industrial and residential development outside the Golden Horseshoe without adversely affecting the needs of agriculture.

The Committee suggests that, in order to solve the farm income problem, a new and integrated agricultural policy must be developed by all the Provincial governments and the Government of Canada. To be effective, such policy must free many resources presently trapped in agriculture. The program must ensure that people transfer out of agriculture of their own free will and society should bear some of the costs of transfer into alternative occupations. Many structural changes are needed before farmers will have income earning opportunities equivalent to other people's.

Part II:
Farm Operations

The Committee has specified three goals for Ontario's agricultural industry:

- 1) acceptable returns to resources for reasonably well-managed farms;
- 2) adequate incomes for farm operators;
- 3) a maximum number of farms of efficient size in the industry.

In an attempt to define what constitutes a viable farm, the Committee offers some basic criteria. It suggests that:

- (a) a minimum hourly rate of return be set for the farmer's own labour (\$1.80 per hour for 1966; \$2.00 for 1969);
- (b) the rate of return on capital owned by the farm operator and used in the farm business should be established at the level of the interest rate he would have to pay if he were to borrow this money;
- (c) unrealistically low or high land costs should be kept out of the farm accounts and it is recommended that land be entered in operating statements as a rent charge;
- (d) in order to make a realistic assessment of the viability of a farm, conventional systems of keeping farm records are, in most cases, entirely inadequate and it is, therefore, recommended that every farmer keep an accurate set of accounts such as that offered by CANFARM (Canadian Farm Management Data System).

The Committee has assumed the application of the above criteria in the development of models of economic units for six major farm types: the dairy farm, the beef cow farm, the beef feed lot farm, the swine farm, the cash grain farm and the egg farm. It concludes that these model economic units are very much larger than average farms in the Province. Capital investments range from \$78,000 for the swine farm to \$136,000 for the cash grain farm and the value of products from \$25,800 for the cow-calf farm to \$89,500 for the laying hen farm. The Report states that

"The challenge to farmers who wish to remain in farming is that they must expand their operations and adjust to changing conditions if they are to receive adequate rewards for their efforts. Those who do not will eventually have to seek a living elsewhere."

The Committee claims that very large farms appear to have no distinct advantage over farms with one, two or three full-time workers. It is considered an advantage for Ontario to have a maximum number of owner-or tenant-operated farms. Farms operated by two or three men are considered preferable to one-man farms. The Committee points out that the advantages are social rather than economic.

While the Report recognizes that vertical integration has many potential cost advantages in the production of food, it would like to see farmers themselves (through their marketing organizations) assume the role of vertical integration rather than have farm suppliers and processors in control of very large production units.

It is pointed out that the number of farms in Ontario (110,000 in 1966) could be substantially reduced without harming the level of food production. Unless Ontario can sell much larger volumes of its products in exports markets, the number of farms will probably have to decrease as new production practices are adopted. By 1980, fewer than 36,000 full-time farms might be able to make minimum returns to resources.

Rapidly changing conditions in farming will place increasing demands on farm management. The ability to manage, rather than simply to perform farm work, will determine in great measure the success of individual farmers in the future. The Committee gives top priority to an information program, sponsored by Government (Department of Agriculture and Food) designed to warn farmers of the problems involved and to provide sound advice. It

recommends that the Province's agricultural extension staff be trained and equipped to accept farm management service and education as a major responsibility. As their research has indicated that there is a gross imbalance in the present distribution of government field staff, they advocate a re-distribution of extension personnel throughout the Province. The Report suggests that regional offices should be established which would be responsible for the direction and co-ordination of regional farm management programs and the co-ordination of activities of a number of specialists.

The Committee also recommends the establishment of a Rural Human Resources Council to co-ordinate education, guidance and training of farm and rural people. Education, farm management, training and service programs should receive top priority. Full co-operation and co-ordination must be obtained between the Department of Agriculture and Food, the Department of Education, the University of Guelph and other public and private institutions.

Discussing capital, the Report points out that many farmers would have to increase their capital (including land) in order to get a better return to labour. At the same time it is possible that the total amount of capital (including land) invested in all of Ontario's farms together, may have to be reduced in order to obtain adequate incomes and returns to labour and capital. The challenge is to create fewer, larger and better managed farms. This process would have to be accompanied by a shift of surplus people to other forms of employment and of surplus capital into other uses.

The Committee suggests that the Extension Branch of the Ontario Department of Agriculture and Food, through its agricultural representatives

should not only place a heavier emphasis on farm management advice, but should also provide credit counselling services. The Federal and the Provincial government would have to share responsibilities in this area.

The Report advocates changes which would make the renting or leasing of land by farm operators more attractive. It recognizes that it is frequently difficult to obtain long-term leases, especially where land is held for speculative purposes. The Committee, therefore, recommends that for all settled regions of the province land-use plans be drawn up indicating the use to which land can be put, and that these plans be given legal status through land-use regulations.

It is suggested that public agencies should play an increasing role in the renting of farm land and it is, therefore, recommended that the ARDA Farm Enlargement and Consolidation Program be expanded in the immediate future. ARDA should purchase land in all parts of the Province and the upper limit for the purchase price of \$100 per acre should be lifted.

If the program is not implemented through ARDA the Provincial Government should establish an Ontario Land Corporation on a cost-sharing basis with the Federal Government. This Corporation, to be financed through sales of bonds and shares in addition to government participation, would also purchase land which may eventually be transferred to non-farm uses.

The Report states that major changes are needed in present legislative and institutional structures governing land-use planning. It indicates that a Provincial land-use plan would have to be preceded by a broader and more comprehensive plan for regional, social and economic development. Such a plan should entail the designation of a number of specific centres for future industrial growth in the rural regions of the Province.

The Committee recommends that Regional Development Boards organized under the Department of Municipal Affairs (and replacing the present Regional Development Councils) would assume responsibility for drawing up plans for the economic and social development in specific geographic areas of the Province as well as for land-use. These plans should be made consistent both with an overall plan of regional economic development for the Province, and with the needs of the local communities involved. An Ontario Land Resources Commission to be administered under the Department of Energy and Resources Management would give direction to the Regional Development Boards regarding the overall pattern of land-use policy for the Province. Regional land-use plans would have to be submitted to this Commission for approval.

Expressing its views on fiscal matters, the Committee indicates that farmers are forced to carry a larger burden of taxes than most other commercial enterprises. Also, a farmer is unable to pass on tax increases through higher prices.

The Report recommends the introduction of a property taxation system which permits the deferment of some of the tax when farm land values are inflated by demand for urban use. The difference between the taxes calculated on the basis of market value and those calculated for the same property on a farm-use basis, would be deferred annually until the land is developed for non-farm use. Other fiscal recommendations are the increase of provincial grants for education to local municipalities to cover 100 per cent of educational costs. The introduction of a capital gains tax and of a system under which the income tax on income put into land can be deferred until the land is sold or transferred upon retirement from farming, or upon death.

Part III:
Food Production and Marketing

In an attempt to stop or reverse the trend of rising prices of farm machinery and parts, the Committee recommends the creation of one central wholesaling agency for farm machinery, administered by an Ontario Farm Machinery Crown Corporation through which all manufacturers would be required to distribute their equipment. The Report recognizes that Government interference to this extent might not be acceptable at this time and that, therefore, alternative solutions short of this step might be desirable.

In order to improve the distribution of parts, the Report suggests that a central warehousing system for machinery parts should be established by the companies concerned.

The Committee also recommends the establishment of a Fertilizer Review Board, to be set up under legislation by the Province, to facilitate the development of an effective, low-cost distribution system for fertilizer and to prevent the duplication of facilities.

The Report claims that, as a result of the steady commercialization of agriculture, it is absolutely essential and unavoidable that an organized method of production planning on a continuous basis be instituted. Allocation through quotas would become necessary to ensure that total production will be in balance with market requirements at reasonable prices. The Committee is convinced that a comprehensive approach to supply management is both necessary and possible.

The Committee advocates the development of an organization for marketing farm products in Ontario, called the Food Supply Agency which

would act as the sole selling agent for Ontario farmers. An important function of the FSA would also be to investigate production conditions in competing countries and recommend, through a General Farm Organization, appropriate trade policies for agricultural products originating outside Ontario. The role of the Farm Product Marketing Board would be broadened to include the evaluation of the effectiveness of the FSA and some recommendatory and policing functions.

The Report suggests that Ontario should no longer share the cost of surplus diversion by others and that the Federal Government should develop programs to provide realistic levels of protection against imports which are of little benefit to any member of society but cause serious hardship among agricultural producers from time to time.

The Committee is concerned about the lack of common ground between Ontario's two major general farm organizations, the Ontario Federation of Agriculture and the Ontario Farmers' Union. It recommends that Ontario's agriculture be represented by one General Farm Organization (GFO). It would be primarily a policy organization whose major goal would be to ensure that adequate incomes are earned by the operators of a maximum number of efficient farms.

Chapter 11 of the Report deals with the marketing of a number of specific agricultural commodities. The Committee suggests that the Food Supply Agency recommended by it should aim for a grouping of the present marketing boards into larger and more efficient agency-type boards. It recognizes that there is a need at national level for the type of marketing programs suggested for Ontario but, at the same time, indicates that the lack of national organizations at this time should not deter Ontario farmers from organizing themselves effectively within the Province.

Part IV
Adjustment to Change

The Report makes mention of the tendency to measure the achievements of society in terms of economic performance, assessed on the basis of indicators such as Gross National Product, employment, price stability and balance of payments. The Committee is of the opinion that, in view of growing awareness of regional economic disparities, a review of priorities is very much in order.

It is pointed out that the structural changes in the economy which have accompanied economic growth, have required a considerable adjustment of the farm labour force. This has resulted in hardships for the farm population such as the following.

- (1) The prevalence of low incomes and low returns to resources in agriculture indicates that the adjustment mechanism is overloaded and that the huge adjustment that has been made is still not enough.
- (2) The adjustment of the farm labour force is being achieved by squeezing people out of agriculture.
- (3) Although the population on farms has declined, it is plain that many people have not made a successful adjustment out of agriculture, but have exchanged their farm poverty for rural or urban poverty.

The Committee recognizes that governments have attempted to streamline the adjustment process by increasing labour mobility through measures such as manpower retraining programs, adult education and moving allowances. The Report expresses the opinion that these programs cannot effectively reach large portions of the rural population. Furthermore, their most serious

shortcoming is considered to be the assumption that the present geographic development pattern is the correct one and should be encouraged by moving people into existing areas of intense economic activity. The Committee feels that they represent a surrender to the present unplanned growth of metropolitan areas and that the problems thus created should be attacked through programs which will benefit both rural and urban Ontario. The Committee attaches top priority to two such programs, namely, regional economic development, and income maintenance.

The Report remarks that the idea of regional development enjoys a certain currency among some high-ranking civil servants, but that it has not been translated into a top-priority policy objective. While imaginative leadership by the Ontario Government is recommended, it is also pointed out that the structure of the Provincial Government is not conducive to an understanding of the close relationship between urban and rural development problems. It is indicated that the present organization of the Provincial Government is not well constructed to pursue the objective of regional economic development, and that the primary division of administrative responsibility is according to function (health, welfare, education, transportation), which makes co-ordination of these functions at the regional level rather difficult. While it is felt that the Regional Development Boards recommended will improve this situation, some impetus from senior levels of Government is also considered necessary.

In order to create a focal point to co-ordinate the Government's rural affairs programs, the Committee recommends the appointment of a Cabinet Committee on Rural Affairs under the Chairmanship of the Minister of Agriculture and Food. The Report expresses the opinion that the Regional

Development Branch of the Department of Treasury and Economics is proceeding too slowly with its program and that it does not have the support that a commitment to far-reaching action would give it. The Committee feels that the Regional Development Councils exist in a political and administrative vacuum and should be disbanded.

The Committee believes that successful regional planning cannot be superimposed from above, but must rather be based upon local participation. At the same time leadership from the Provincial Government is necessary to establish a system of regional planning and to set out guidelines within which the regional planning bodies may operate. The Report states that the Joint Planning Boards now existing have not been notably effective and recommends that Regional Development Boards replace the local planning bodies.

The final pages of the Report deal with income maintenance. The Committee realizes that its various recommendations, if implemented, would not provide any relief for the immediate need for funds of low-income farm families. It therefore recommends a negative income tax with a guaranteed minimum income. The proposal calls for a government grant equal to 50 per cent of the difference between earnings and tax exemption to any family earning less than the amount of the exemption. The hope is expressed that this type of assistance might give low-income families an element of autonomy and a choice with respect to adjustment programs of various kinds.

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SECTION II

Commentary on Major Recommendations

COMMENTARY ON MAJOR RECOMMENDATIONS
OF THE ONTARIO FARM INCOME COMMITTEE

Introduction

Major Problem Areas

The Special Committee on Farm Income was set up by the Minister of Agriculture and Food in 1966 to study and recommend techniques to improve farm income in Ontario. The major income problems identified by the Committee in its two years of research are as follows:

- 1) farmers who cannot earn an income sufficient to provide them with the basic necessities of life,
- 2) low returns in agriculture operations generally, relative to returns available in other industries,
- 3) substantial year-to-year income fluctuation for the individual farmer.

These three inter-related problems are in turn dependant on a number of causative factors.

"Some income problems arise out of difficulties on the individual farm, and are related directly to the production of farm products. Others are related to the way that production decisions are made, or the way that marketing is done in the industry as a whole. A number of problems arise from the conditions under which farmers obtain their inputs. Problems arise out of government policies and programs, out of the change taking place in different industries and out of the distribution of the costs and benefits of such changes." (The Challenge of Abundance)

The Committee makes many recommendations for the treatment of these problems. Some of the suggested solutions depend on action within the industry itself, but others fall within the areas of Provincial or Federal jurisdiction.

Those preparing the farm income report, by the nature of their terms of reference, placed a major emphasis on the problems of the farming

community. However, the implications of some of the recommendations advanced go beyond the scope of farming. In order to avoid the possibility of conflicting Provincial policies, the Government should be concerned with the co-ordination of agricultural and the much broader regional development programs which are now in an advanced stage of preparation.

International and National Influences

In order to give a realistic assessment of Ontario's farm income situation, two conditions must be appended to the Committee's list of problems and causes. First, current problems in agriculture are primarily international in scope, not limited to Ontario, or even to the Canadian industry. Secondly, solutions which can solve the agriculture problems must also be in harmony with the wider economic and social fabric of Ontario and Canada, if they are to win public acceptance.

In regard to the first condition, the OECD Agriculture Ministers' Committee reported in November, 1968, that the international market situation for many important food stuffs has deteriorated as production expanded beyond market requirements. The OECD Ministers found that

"the cost of support mechanisms to maintain prices on the domestic market is increasing and in some cases at an accelerated rate. Even with this additional expenditure on agricultural support, farm incomes have generally not improved sufficiently in relation to those in other sectors, and income disparities within agriculture remain wide." (OECD Observer, December 1968)

Although self-evident, the second condition takes on added weight as an ever increasing share of our population comes to live in an urban environment. It must also be recognized that provincial agriculture policies cannot successfully run counter to national policies in agriculture, in trade or elsewhere for any length of time. Similarly, Ontario policies

must be harmonized as much as possible with the policies of the other provinces, in order to maximize the effectiveness of Ontario programs.

When the true scope and complexity of the farm income problem is recognized, the limited opportunities for effective action at the provincial level are obvious. It may be that the external influences on the problems of the Ontario agriculture industry will preclude, in the near future, any final solutions which are both economically efficient and acceptable to those in agriculture and to the general public. Despite these constraints, the Committee has recommended policies and programs which will, in the opinion of the Committee, maximize benefits to the farm sector while avoiding unnecessary additional costs to the rest of the economy.

Debatable Basic Assumption

The Farm Income Committee applies one important condition to all its proposed programs for improving efficiency - that of a maximum acceptable size of operation. The stated objective of the Committee is the maximum number of one, two or three-man farms in Ontario. In contrast, the objective for government - from an economic point of view - must be the most efficient agricultural sector possible, without particular regard to the form of the individual components of the sector. In the short-term and in local, regional situations the government can possibly support the objective of the Committee; however, long-term policy must encourage rationalization of the sector to its most efficient form, whatever that form may be.

Acceptable Recommendations

Management and Technical Advice

Programs which improve the efficiency of the individual agricultural

operation have been part of the government's effort in the past and continue to be appropriate for government support. The Farm Income Committee rightly put emphasis on programs which improve the management skills of the farmer and thus increase the efficiency of his agricultural operation. The technical assistance programs recommended by the Committee can, for the most part, be implemented with little further study necessary. These recommendations include:

- The encouragement of wider use of practical farm accounting procedures;
- The improvement of the technical content of extension services;
- An increase in the availability and usefulness of extension services through unified programs and expanded regional offices;
- The improvement of opportunities for technical education for farmers and prospective farmers.

Rural Educational Institutions

The Committee's recommendations relating to rural educational institutions and services reflect the objectives and the on-going education programs of the government. The Report recognizes that education provides the key to success for the farming community and stresses the desirability of expansion of educational facilities for farmers. If the Department of Education, in recognition of this need, should initiate steps to establish additional institutions, then the selection of suitable locations should be seen in the light of existing regional development programs, which have adopted the principle of the promotion of growth centres. Means to encourage the growth of such centres must be found and capital expenditures

on education of this kind would constitute particularly suitable stimulants.

Farm Credit

Improved farm management includes more efficient use of capital in all facets of the agricultural operation. The Committee's recommendation for a single national Farm Credit Agency with standardized, market-oriented interest rates across Canada is a desirable long-term objective for provincial policy. It appears that a situation as recommended by the Committee has already been created by Ontario's decision not to provide further loans under the Ontario Junior Farmer Establishment Loans Act, effective February 13, 1969.

Subsidies to Agriculture

The Committee rightly recommends that government programs which increase agricultural productivity should be carefully re-evaluated. One of the factors contributing to low farm income throughout much of the world is a surplus of some farm products. The Committee wisely rejects agricultural subsidy programs which act as production incentives. The government will support the recommendations that credit subsidies, freight assistance, capital grants and other input subsidies be phased out where such programs encourage unwanted or non-competitive production. It should be recognized that a sudden withdrawal of subsidies would cause hardships for certain groups of farmers and also that it would affect certain regions more severely than others. For example, the elimination of subsidies on dairy produce would fall heavily upon eastern Ontario where many farmers rely heavily on dairy production for their income.

Taxation Proposals

The Committee's position in favour of negative income tax provisions for unsuccessful farmers is in harmony with provincial objectives, as is their suggestion for some form of capital gains tax. While a negative income tax as proposed would relieve the plight of low-income farm families, there is a danger that such measure would, to some extent, counteract any policies designed to shift human resources away from non-viable farms.

Supply Management

The output price factor in low farm incomes is also dealt with by the Committee. They recommended a "comprehensive supply-management" program. Supply-management is to be achieved by minimizing over-production from Ontario farmers, while simultaneously improving their marketing effectiveness in disposing of their produce. These objectives are fully supported by the government. However, the solution to poverty-level farm life is recognized to be beyond the capacity of supply-management programs.

The necessary techniques for achieving co-ordinated supply management must still be worked out by the farmer organizations and government, giving due regard to the consumer and other non-farm interests. The agricultural industry itself must first reach consensus on the desirability of fewer, larger marketing agencies, and perhaps ultimately, a single central agency (Food Supply Agency) and a single provincial farmer organization (General Farm Organization).

The Committee's recommendations regarding the functioning and distribution of production quotas and the methods of establishing product

prices require further elaboration and research to determine the best approach for Ontario. The recommendations for control of competing substitute products and new production technology will also require adjustment to accurately reflect the over-all objectives of Ontario.

Total Commitment to Regional Economic Development

The Ontario Government has already committed itself to a regional development policy. A number of inter-departmental committees have been established. A Cabinet Committee on policy development chaired by the Prime Minister dealing with regional development meets once a month. To lend perspective to the work underway, local participation is obtained through Regional Advisory Boards. In view of these developments, the establishment of a Cabinet Committee on Rural Affairs - as recommended by the Farm Income Committee - must be considered inopportune. The programs being developed in the Regional Development Branch are proceeding according to a time schedule set over two years ago.

Decentralization of Industrial Activity - Growth Centres

The Committee's recommendations in favour of decentralization of industrial activity is - within certain constraints - acceptable to the Province. Part of the Regional Development Program presently being designed involves the identification of possible growth centres. Not only are these centres expected to take the pressure off the rapidly expanding metropolitan areas, but they will also serve as a positive focus of growth for the surrounding area and should become favoured locations for the establishment of industry.

Reduction in Farmland Area

We agree with a policy aiming at a reduction in farmland area to the extent that it contributes toward the withdrawal of sub-marginal lands from agriculture. However, before such measures are introduced in any particular area of the Province, alternative employment - particularly for the human resources - must be available or created. As some regions (e.g., Eastern Ontario) will be more seriously affected than others, the reduction of farmland should be closely co-ordinated with - and indeed be part of - regional and Provincial development programs.

Land Use Planning and Regulation

Land use planning is an important ingredient of Provincial and regional planning. We, therefore, attach a high priority to the preparation of land use maps for the Province. The present system under which municipalities are responsible for land use planning is inadequate, since municipalities tend to take into consideration strictly local interests only. In addition, as actual land use planning has been left at the discretion of municipalities, many of them do not as yet have such a plan. It is, therefore, important that a land use plan be designed for Ontario from a Provincial or regional rather than from a local viewpoint.

It is obvious that the implementation of this recommendation would have far-reaching jurisdictional and administrative implications. Further research into its feasibility and into long-term land use planning and zoning legislation will be required. The Committee's suggestion that an Ontario Land Resources Commission be established deserves further investigation. Such an organization could be an integral part of the Provincial

regional development program. We are not convinced that the administrative arrangements under which the Commission would operate, as recommended by the Farm Income Committee, are necessarily the best possible.

Rural Human Resources Council - Rural Youth Councils

The Committee favours the establishment of a Rural Human Resources Council to co-ordinate education, guidance and training of farm and rural people. While such Council could be of considerable merit in streamlining the transition to a more efficient and viable agriculture in the Province, its success will depend to a major degree on local receptiveness and co-operation. Related to this proposal is the Committee's recommendation for the formation of Rural Youth Councils to recommend policies and co-ordinate activities and educational programs for rural youth. Similarly, while guidance and direction by government could steer these efforts toward accepted over-all goals, local initiative would be an essential ingredient.

General Recommendations

The Committee makes a number of more general recommendations concerning the rural community and regional development. Many of their recommendations - adjustment assistance, education and manpower training, low cost housing, rural welfare and poverty programs and others - reflect the government's current programs and objectives. However, because of the agriculture-oriented point of view inherent in some of the Committee's recommendations, these general suggestions must be adjusted to fit within the more comprehensive government policies for all economic sectors and for the rural non-farm and urban populations as well. Recommendations requiring integration and adjustment include suggestions that the regional development

effort be concentrated in northern and eastern Ontario, that the growth of existing metropolitan areas may have to be slowed down, and that the parks program be concentrated in southern Ontario.

Unacceptable and Controversial Recommendations

Restrictions to the Size of Individual Operations

The Committee suggests various checks to restrict the size of individual operations in the dairy, poultry meat and egg industries specifically and in other agriculture operations, through maximum production quota allotments. It also wishes to inhibit or prohibit further vertical integration into farming by fertilizer companies, feed companies and others. There should be no inherent objection by the government to large size or vertical integration in agriculture if these developments lead to greater over-all efficiency in the sector. Alternatively, Ontario must continue to pursue adjustment assistance programs for the individuals who are injured by the continuing industrialization of agriculture. The government must also ensure that the public interest does not suffer because of the trend toward concentration in agricultural production.

Formal Entrance Requirements for Farming

The Committee suggests that there should be formal entrance requirements for farming. This appears hardly an appropriate position for government, or even a very realistic one for farm organizations themselves in the short term.

Land Ownership and Rental by Government

The Report recommends the establishment of an Ontario Land Corporation

whose main function would be the purchasing and renting of land. Presumably the Government would borrow the funds to purchase the land and use the rent it would receive from its tenants to pay for the interest. However, pressure on the Government to set rents at a low level might result in an unprofitable undertaking. The feasibility of the plan within the framework of the Province's agricultural policy appears questionable. Furthermore, the possibility for land acquisition for farming purposes is already incorporated - within certain constraints - in the current ARDA consolidation program.

We can conceive of a function for a Provincial Land Corporation such as envisaged by the Committee in connection with other programs, not or indirectly related to agriculture. When the Province comes to grips with the implementation of Provincial and regional development plans, a Crown Corporation with the authority to purchase lands might be an effective tool. For example, land might have to be acquired for transportation corridors and other rights-of-way, for industrial parks or for recreation purposes. From the standpoint of planning there might be advantages in having land transactions concentrated in one agency. Depending on the powers given to it, such agency could be very efficacious, particularly if it should appear that the jurisdictional and administrative problems inherent in Provincial land use planning and zoning cannot be satisfactorily solved.

Farmland Rental Act

The Committee's recommendation for a Farmland Rental Act, while in principle having some merits, would appear to introduce impracticable restrictions and administrative rigidities between owner and tenant in a

freely entered market transaction. The basic problem of excessive land prices could better be solved through instituting some form of Province-wide land zoning. This step would have to be developed out of further research into long-term land-use planning and zoning legislation. The Committee itself makes several recommendations to this effect.

Prices of Farm Machinery, Fertilizers, Manufactured Feed

The problems of rising input costs in farming operations are attacked through different suggested programs. Some of these do not appear to be in the best interest of the Province as a whole. For example, an Ontario Farm Machinery Crown Corporation is suggested by the Committee, as a last resort, to improve servicing and repairs and to "stop unwarranted increases in the price of farm machinery and parts". Direct government intervention through such a Crown corporation is extremely unusual and unpopular in our society. The Committee's recommendation for a Fertilizer Review Board could also result in unnatural and undesirable interventions in the market, through the Board's licencing powers. In respect of manufactured feed the Committee proposes that the extension of vertical integration by feed companies into various types of livestock production (turkey and chicken broilers, eggs, hogs) should be resisted. We submit that the Province or the industry must seek alternative solutions to the various input situations which are less disruptive for our market system than the direct government intervention envisioned by the Committee.

Farm Property Taxation

The suggestion that farm property be assessed at 40 per cent of market value does not seem to provide an equitable distribution of the tax burden. Similarly the recommendation for a secondary taxable assessment

based on farm productivity value, with deferred tax payments, would complicate the system unreasonably.

De-centralization of Farm Credit Services

The report advocates that the responsibility of approving loans be shifted from the Provincial to the regional level in order to avoid unnecessary rigidity and delay in lending. We believe this to be unwise. A central agency is needed to limit the total amount of funds made available. If lending arrangements were left at the discretion of regional managers, there would exist no effective control limiting the funds made available. One way of getting around this problem is to assign regional quotas, but this surely reduces the flexibility of such a lending plan. Farm credit should therefore remain a central responsibility.

Conclusion

The Special Committee on Farm Income has sought solutions to Ontario's farm income problem through comprehensive measures. Their recommendations concentrate on: (i) improving farm management by means of improved and up-dated technical assistance and research programs for government, (ii) controlling production costs through government intervention in the market for land and production equipment such as machinery, fertilizers and feed, (iii) improving the returns to agriculture through production control and centralized marketing, and (iv) improving the situation of the subsistence farmer and alleviating rural poverty through government welfare and development programs. In summary, the Committee's report suggests at least the directions in which public policy and the agriculture sector must move in future.

The government can move rapidly toward implementing many of the Committee's recommendations in the area of technical assistance programs. Similarly in the more general area of rural poverty, many recommendations by the Committee can be effectively integrated within the government's on-going welfare and regional development programs. In regard to comprehensive supply management, guidelines for future government policy must be established through further research and consultation between the Federal and Provincial governments and the agriculture industry. In the area of production cost controls, the government will have to assist farmers in finding more acceptable solutions to the problems of rising costs.

Beyond the Committee's specific recommendations, the government must carry out, in conjunction with other provinces and the federal government, a continuing review of the national and international situation in agriculture. To be effective, provincial policies must take into consideration conditions which were largely outside the Farm Income Committee's investigations. For example, Federal agricultural policies may have particular relevance to provincial attempts at supply-management, centralized marketing agencies and regional development programs. The agricultural policies of the U.S. or the E.E.C. must also be considered as they can have a critical impact on the Ontario agriculture industry.

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Review and commentary
of "The challenge of
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